

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
A.W. Dirks, Vice-Chair
Francis X. Thorne, Member
Nancy Wilkens, Member
Carol I. Faucher, Member
David Springe, Consumer Counsel



State of Kansas
Kathleen Sebelius, Governor

1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone:(785) 271-3200
Fax: (785) 271-3116
<http://curb.kcc.state.ks.us/>

HOUSE UTILITIES COMMITTEE H.B. 2240

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 9, 2005

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2240. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

CURB estimates that the spending levels required by this bill (Section 2 (a)(1)) amount to a \$30 to \$50 million annual tax on utility consumers. Once taxed, then the utilities and the Kansas Corporation Commission are suppose to find ways to spend the money on conservation and efficiency programs. CURB objects to this tax first, spend later approach to energy efficiency and conservation.

CURB suggests that this bill not be passed. Rather, CURB would suggest a docket be opened at the Kansas Corporation Commission to develop a more rational approach to developing energy efficiency and conservation programs. CURB suggests that the docket address, at minimum, the following:

- Determine if and when conservation makes economic sense
- Determine what barriers exist to conserving or purchasing energy efficient equipment by consumers
- Determine the best means of overcoming those barriers
- Inventory existing programs: utility, state agency, social service agency
- Establish a consistent platform to provide necessary programs, whether by utilities, government or by a third party agent
- Engage the social service agencies to leverage the objectives of the programs
- Engage other parties (landlord association, schools, etc) to leverage the objectives
- THEN AND ONLY THEN establish what budget level is needed to accomplish the objectives, determine how to fund the budget and determine the appropriate oversight mechanism

From a policy perspective, CURB always encourages consumers to conserve where possible and to make wise energy choices, both in consumption and in investments to improve the efficiency of energy use. Certainly with the high cost of natural gas in the last few years, CURB believes that every consumer has a strong economic incentive to

conserve. That incentive comes every month in the form of a heating bill. The data we have seen indicates that consumers are in fact conserving, and average annual natural gas consumption for residential customers has continued to decrease. Aquila, who has a natural gas rate case before the Commission, reports that average annual residential use has declined over 20% in the last decade¹. This reduction in average natural gas consumption was not the result of a multimillion dollar government program. CURB believes that this is the result of rationale economic behavior on behalf of consumers (we all turned down our thermostats) and by increased investments in things like insulation and furnaces, again, by consumers.

What CURB does not support is a conserve at any cost mentality. Especially since the costs of these programs are ultimately born by utility consumers. While there are times that conservation makes sense, there are also other times when it is more expensive to conserve and to consume. If you would not spend \$1000 to save \$500, you shouldn't ask utility ratepayers to do the same. This simply ends up costing all utility ratepayers more money, and leads to higher utility rates.

CURB also does not support the wholesale giveaway of conservation measures, (the "free choice of device" at p. 3 line 39) but rather supports helping consumers make good economic choices with their own money. CURB believes a fundamental principle of encouraging energy conservation and efficiency is having consumers have a financial stake in the outcome. We should help consumers upgrade their furnace or insulation if it makes economic sense, but we should do so through low interest loan programs, or reasonable payment schedules or tax credits for investments, not through just giving these things away. Nebraska has a very successful program in this area.

Encouraging conservation and energy efficiency in the electric sector is abit more complex and presents a challenge. To some extent this is due to the fact that we have had very low, and very stable electric rates for many years, which effects the economic payback for conservation investments. Certainly this will change in the future, and conservation and efficiency measure should be a part of our future planning, but again, CURB prefers a more deliberative approach to this complex problem, and not the approach outlined in this bill.

What we as policy makers should endeavor to do is identify those times, or those areas in which conservation or energy efficiency improvements would benefit the utility system as a whole, or would benefit an identified social problem that needs a remedy. CURB would support this type of process, and would be actively involved. What we as policy makers should not do is create a fund of money and spend it, simply because energy conservation and energy efficiency sounds good, as is proposed in this bill.

¹ KCC Docket No. 05-AQLG-367-RTS, Direct Testimony of Richard Loomis, at page 16.